



CITY OF HOUSTON

Finance and Administration
Department

Interoffice

Correspondence

To: Lee P. Brown, Mayor
Members of City Council

From: Philip B. Scheps
Director

Date: August 29, 2003

Cc: Al Haines, CAO

**Subject: JULY MONTHLY FINANCIAL AND
OPERATIONS REPORT**

The purpose of this document is to provide the monthly financial report for the period ending July 31st, 2003. This represents the first monthly report for the 2004 fiscal year. Accordingly, the FY04 adopted budget numbers are now shown, along with preliminary FY03 results, entitled "FY03 Preliminary CAFR".

Revenues

Total revenues for the fiscal year are now being projected by F and A to be \$1.399 billion, which is approximately \$1.3 million below the adopted budget. The primary causes of this under-budget projection are described below:

Property Tax - The adopted budget revenue increase was based on the mid-range projection provided to us by the Harris County Appraisal District. (HCAD). This projection was reduced by \$2 million late in the budget process, based on updated information.

As described in my August 12th letter to City Council, the certified tax roll delivered on August 11th was somewhat below the midpoint of the range. Subsequent to the delivery of the certified tax roll, HCAD notified us of a further reduction based on an error within their data entry system, which has subsequently been corrected. As a result, the predictions in this report are that final property tax revenue will be \$4.2 million (0.6%) below the adopted budget amount.

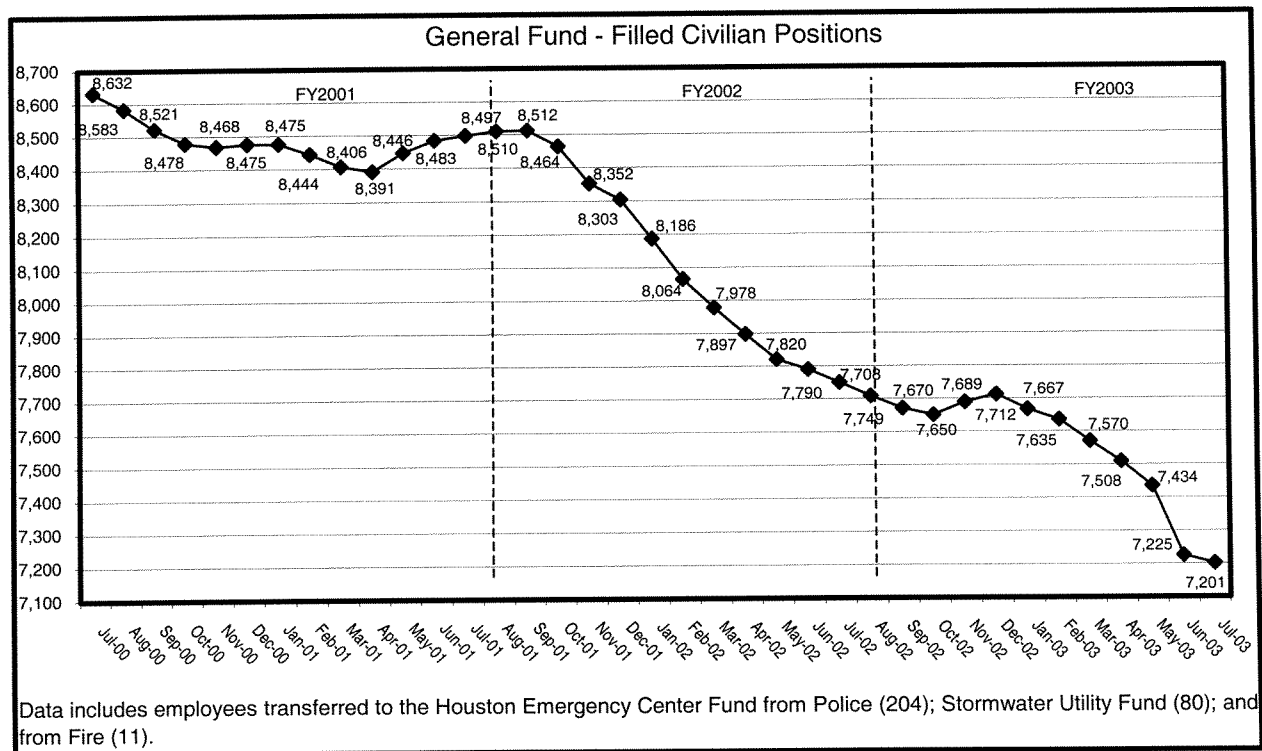
Sales Tax - Also in my August 12th letter, I reported that final sales tax figures for FY03 could be adjusted upward by \$2.4 million. This also allows an increase in the projection for FY04, which remains equal to the FY03 tax collection plus a net of \$5 million for new Limited Purpose Annexations approved by City Council. The projection in this report also includes an additional \$571,000 in sales tax revenue (related to sales tax collected at City facilities) that we believe will be incorporated into the FY03 CAFR when all adjustments are completed.

Municipal Courts Revenue - The adopted budget contained increases in this revenue source based on certain actions that were projected to occur by the end of the summer. A full briefing on these actions will be included on the Fiscal Affairs agenda of September 2nd.

Expenditures

This report projects all departments' spending to be at their adopted budget levels.

General Fund civilian staffing continues to decrease, as shown on the following chart, even though some increase in new hiring was begun after the adoption of the budget. Filled civilian positions at the end of July stood at 7,201, a decrease of approximately 1,300 (15%) in the last 24 months.



Fund Balance

The projected fund balance at the end of FY04 will be \$102.5 million, which includes the Rainy Day Fund balance of \$20 million. This amount is approximately 8% of expenditures less debt service.

Enterprise Funds

There are no changes in the enterprise funds, both revenue and expenditure projections for all three remain at the adopted budget level.

Other Matters of Interest

The delivery of the certified tax roll allows the City to calculate and publish the effective tax rate and the rollback tax rate, as required by State truth-in-taxation laws. The calculations are as follows:

Effective Tax Rate: 65.07 cents
Rollback Tax Rate: 66.97 cents
Notice and Hearing Rate: 67.026 cents

Since the budget was based on a tax rate of 65.5 cents, which does not exceed the notice and hearing rate, City Council may adopt the rate without additional notice and public hearing. Tax rate adoption is scheduled to occur on the September 24th agenda.

Please call me if you have any questions.

A handwritten signature in black ink, appearing to read 'P.B. Scheps', written over a horizontal line.

Philip B. Scheps